somewhere, we take care of them from this security deposit amount. Whenever complaints are coming to us, we certainly enquire into and compensate them from the security amount.

MR. CHAIRMAN: Next Question No. 24. Honourable Member absent. Next Question No. 25.

*24. [*The questioner (Shri Rajni Ranjan Sahu) was absent. For answer vide cols* 33 infra]

Unearthing of massive frauds by Bank Officials

*25. SHRI BISWA GOSWAMI:†

SHRI SATYA PRAKASH MALAVIYA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that massive frauds by bank officials were unearthed following countrywide raids conducted by the Central Bureau of Investigation at the residences of senior officers of nationalised banks during the last three months;

(b) if so, what is the nature of the frauds unearthed and the incriminating documents seized; and

(c) what action has been taken against the corrupt officials on the basis of the CBI inquiry?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI): (a) to (c) A Statement is laid on the Table of the House.

†The question was actually asked on the floor of the House by Shri Biswa Goswami

Statement

...eported that ... investigation of ... by various branches of the C.B.I. against bank officials and private persons|firms for alleged conspiracy to defraud the ...ector banks by showing undue ... private persons|parties in ...f grant of loans|overdrafts, forgery, possession of disproportionate to known ... of income, cheating, criminal misconduct etc., searches has been carried out at the residences|office premises of 60 present and former bank officials during November 1985 to January 1986. During the searches, a large number of incriminating documents pertaining to financial transactions concerning investment in movable/immovable/properties, illegal grant of loans|overdraft facilities etc. were recovered. These documents are under scrutiny.

In addition, the following amounts of movable|immovable items were unearthed in course of the searches:

(1) Cash, bank balances, FDRS, NSCs, Bearer Bonds, etc.	Rs. 24,11,260/- approx.
(2) Movable assets like jewellery, imported VCRs, TVs, costly electrical gadgets, etc.	Rs. 24,74,355/- approx.
(3) Immovable assets like houses, plots in posh localities, land, etc.	Rs. 49,32,447/- approx.

The C.B.I. investigations are in progress. After completion of investigations by the CBI, action against the bank officials involved in offences would be taken

SHRI BISWA GOSWAMI: Sir, the CBI has enquired into only a few cases of bank frauds. Sir, the Estimate Committee in its Report said that in 1978 there were only 1,422 cases of bank fraud involving Rs. 7.38 crores. In 1982, the figures had gone up to 2,068 cases involving Rs. 19.53

crores. According to the statistics compiled by the Department of Bank in the Ministry of Finance, over 10,000 cases of bank frauds involving Rs. 150 crores have been reported by the 28 public sector banks to the Reserve Bank of India. So, it is clear that the bank frauds are on the increase. I want to know from the Honourable Minister as to what concrete steps, the Government has taken to prevent these bank frauds? Whether the Government has prosecuted any person so far. Whether any person has been punished for this type of fraudulent activity?

SHRI JANARDHAN POOJARI: Sir, it is true that as per the statistics also it is increasing. There is a spectacular expansion of the banking sector. Now, we have go about 52,005 branches employing more than 7,24,000 employees. Sir, I agree that it is the duty of the Government, the management and the Reserve Bank of India to see that whenever frauds are committed these are brought to surface and those people who are responsble for these frauds are booked immediatly. Sir, we are taking action in this regard. Perhaps hon. Member might be knowing on the 31st January, 1986 about 52 houses of bank officers have been raided and action is being taken. In my main reply also I have stated about the action being taken is this regard.

The number of employees who were convicted in 1985 were 27. And the number of employees who were given major and minor penalties were 387. Out of this, the number of employees who were dismissed or removed from the service were 187. So we are strengthening the vigilance machinery and also a number of steps being taken. This is the result of the action we have taken so far.

SHRI VISHWANATH PRATAP SINGH: Sir, only one thing I want to point out. The hon. Member has said just now that according to the statistics compiled by the Department of Bank in the Ministry of Finance were over 10,000 cases. But according to my information the number of fraud cases committed in 1985 were 2,189.

SHRI JASWANT SINGH: Does it give you any satisfaction?

SHRI VISHWANATH PRATAP SINGH: I am just correcting the number. I am not saying it is a matter of satisfaction.

MR. CHAIRMAN: Second supplementary. Mr. Biswa Goswami.

SHRI BISWA GOSWAMI: Sir, there are various methods which are adopted in the bank frauds. In the case of advances to sick industries also there are frauds. Therefore, I would like to know whether the Government thinks that it is due to procedural defects in the Banking System, these things are taki[illegible] and if so, what steps the Government propose to take to rectify the procedural defects.

SHRI JANARDHAN POOJARI: Sir, we have a Cell in the Reserve Bank of India which monitors mainly these frauds. A cell for monitoring sickness has been instituted. So, signals come there. As to how to curb these frauds, many procedural defects like reconciliation of accounts etc. which were pending have been expedited and many in-house practices negligence of which lead to opening up of frauds are being tightened up.

श्री सत्य प्रकाश मालवीय: मान्यवर नवम्बर, 1985 और जनवरी, 1986 के बीच में जो 60 वर्तमान और भूतपूर्व बैंक अधिकारियों के घरों की तलाशी ली गई उस संदर्भ में मैं जानना चाहता हूं कि कितने ऐसे अधिकारी हैं जो अभी भी काम कर रहे हैं, वे किस स्तर के हैं और उनको निलम्बित किया गया है या नहीं किया गया है?

श्री विश्वनाथ प्रताप सिंह: कई लोगों को निलम्बित किया गया है और उनके खिलाफ एफ० आई० आर० लाज किये गए हैं तथा और भी ऐक्शन लिये गए

लेकिन इस समय उनका नाम बताना उचित नहीं होगा। इस समय इतना ही ही...

श्री सत्य प्रकाश मालवीय: किस स्तर के हैं? नाम मैंने नहीं पूछा है। ... **(व्यवधान)**...

श्री विश्वनाथ प्रताप सिंह: बता रहा हूं। जनरल मैनेजर स्तर तक के भी हैं।

SHRI JAGESH DESAI: Mr. Chairman, Sir, they have raided the houses and office of several banks officials and from the data available from them, whether the Government is going to scrutinise the methods and ways by which these frauds are being committed and a study will be made about them and proper steps will be taken and instructions will be issued to the Banking Management so that these types of frauds cannot be committed in future. Secondly, whether these raids which are being conducted and being done the department will send it to the Income Tax Department and whether the cases of raids will be scrutinised at the level of the highest officer i.e. the Inspecting Commissioner of Income Tax who is well-equipped with konwledge and experience so that the cases and the amount of fraud committed can come on the surface.

SHRI JANARDHAN POOJARI: Sir, monitoring of fraud cases is a continuous process and in fact, Reserve Bank is looking into that. The RBI is circulating cases of new types of frauds. Instructions and guidelines are also being issued to the Banking Sector, to the Banking Management so far as the scrutiny and other things are concerned, on the highest level, it is being done and in fact, if there is any issue pertaining to taxation and other things, such offences are also being looked into.

SHRI GURUDAS DAS GUPTA: Sir, is the Minister aware that the employees union of Bank of Baroda, affiliated to AIBEA had complained in a circular that a leading officer of that Bank, who had detected a big fraud two years back was transferred from that particular cell, out of Calcutta and from out of that Cell and when the union intervened and had a talk, when the transfer was reversed but the man, who has detected the fraud was not put in-charge of that Cell, who had defected it? If the Minister is not aware will he assure me investigation into the matter if I place papers before him?

SHRI JANARDHAN POOJARI: Sir, if the Hon'ble Member submits the papers to me, definitely, we are going to look into it and nobody will be spared.

SHRI VITHALRAO MADHAVRAO JADHAV: Sir, I would like to congratulate the Minister who has tried his level best to root out the corruption from Banks but at the same time, I would like to ask that there are so many corruption cases from the banks in the small scale industrial units. Particularly this is so in the case of the loans given to entrepreneurs under the educated employment scheme. A large number of units have gone sick. I know from my place that the working capital is not given in an easy way unless the bank officials who indulge in co[illegible]re satisfied. Due to that a large number of small-scale units in our country have gone sick. So I would like to ask the hon. Minister: is there any information with the Ministry that due to corruption and the consequent sickness among the small-scale industries, our industrial progress has got a big set-back?

SHRI VISHWANATH PRATAP SINGH: Sir, so far as the sickness of small-scale industries is concerned, there may be various factors which cause sickness. So far as corruption is concerned, we are determined to root it out. Wherever information comes, we do act.

SHRI JASWANT SINGH: Mr. Chairman, Sir, banking is all about confidentiality and trust, and when the hon. Minister of Finance got up to inform the House that he is satisfied that the cases of fraud number only 2,000 and not as the hon. Member...

SHRI VISHWANATH PRATAP SINGH: I did not say 'I am satisfied'.

SHRI JASWANT SINGH: I am grieved to hear that he is not satisfied. He is not satisfied with the fact that 2,000 cases of fraud have taken place in the nationalised banks, with whose reponsibility the Government is entrusted. I would, therefore, like to ask the Minister; firstly, in this category of 2,000, what does he precisely treat as fraud? You are using the word 'fraud' and we have consistently used the word 'fraud'. What is your definition of fraud'. Are inefficient banking practices also fraud? Are loans to people like Sethia and other also fraud? Or is it that these have been excluded from the figures you have given here? Secondly, I am given to understand that the cost of banking operations of nationalise banks in India is the highest anywhere in the world. Now I am not asking about the cost of banking operations in the country. But of that cost of banking operations in India, what component is contributed by your interpretation of 'fraud'?

SHRI VISHWANATH PRATAP SINGH: Sir, I do not think the hon. M[illegible] to be informed of what fra[illegible]—the definition of fraud.

SHRI S. W. DHABE: Interpretation.

SHRI VISHWANATH PRATAP SINGH: Sir, what constitutes fraud is: [illegible]ent withdrawal of deposit ac[illegible], fraudulent encashment of fake demand drafts and cheques misappropriation of funds by employees by fictitious entries in personal accounts, cash shor[illegible] theft, burglary, accommodation [illegible]mentary bills accompanied by fraudulent transport receipts shortage of hypothecated goods agricultural advances against fake inflated and spurious ornaments, withdrawal against uncleared effects, hypothecation of the same goods to more than one bank.

I think the law has a very good definition of 'fraud' I don't think I should go into it. The lawyers would be knowing it. About the cost of banking operations, there is always room for improvement. I will not deny that. But also there is quite a bit of what we give to the priority sector. It is our social obligation and we will continue that. That also goes into the total cost of banking. That is for social benefit and we are committed to it. And that is why the banks were nationalised.

SHRI DINKARRAO GOVINDRAO PATIL: Mr. Chairman, Sir, there is discontent amongst the farmers and the poor workers in rural areas against the officials of the lead banks for delaying loans to them, for not fulfilling the demands of these officials. In my district, Sir, all the villagers observed a 'band' in protest against the malpractices of the officials. I want to know from the hon. Finance Minister whether the Government will set up some independent machinery to oversee the transaction of banks regarding loans, etc. in order to check the collusion between the 'dalals' and businessmen and bank officials, who misuse their position and amass assets disproportionate to their known sources of income.

SHRI VISHWANATH PRATAP SINGH: Sir, recently my colleague, the Minister of State and my self and others also made some surprise visits. I went to Rajasthan and U.P. We went there to find out exactly what is happening at the district level. In our assessment two things emerged, One is the procedures that are there are too lengthy and that also lead to delays frustration and also corruption. There are four people involved in loan-giving—the BDO, the Village Level Worker the Doctor and the Branch Manager. What we have done is in few districts we are experimenting it, instead of the tortuous procedure, we could ensure that once it is identified then no further delays are made and the cash money is paid to the beneficiary and we do away that committee that is set up for purchasing buffaloes and other things, and the beneficiary be entitled to the loan straightway. We are trying to cut down the delay in the procedure. After the experience in these districts we will be able to formulate further reform in this.